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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

92-2263

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 0-16617

Altera Corporation
(Exact name of registrant as specified in its charter)

California	77-0016691
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2610 Orchard Parkway, San Jose, California 95134
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (408) 894-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes X No ____

Number of shares of common stock outstanding at March 31, 1992: 20,085,528

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ALTERA CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED

MARCH 31, 1992

PART I

FINANCIAL INFORMATION AND

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

ALTERA CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 31, 1992 (Unaudited)	Dec. 31, 1991
ASSETS		
Current assets:		
Cash, cash equivalents	$ 30,433	$ 25,239
Short-term investments	11,970	14,910
Total cash, cash equivalents, and short-term investments	42,403	40,149
Accounts receivable, less allowance for doubtful accounts of $507 and $385	18,741	16,218
Inventories	12,890	10,896
Deferred income taxes	4,031	4,023
Other current assets	849	884
Total current assets	78,914	72,170
Property and equipment, at cost, less accumulated depreciation and amortization	16,145	15,468
Investment	14,448	14,568
	$109,507	$102,206
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,840	$ 3,048
Accrued liabilities	4,362	4,226
Accrued investment liability	1,478	3,196
Accrued compensation	1,755	3,270
Provision for returns and allowances	4,181	3,836
Income taxes payable	5,789	3,180
Total current liabilities	21,405	20,756
Shareholders' equity:		
Common stock; no par value: 40,000,000 shares authorized, 20,085,526 and 19,793,942 shares issued and outstanding	45,268	43,919
Retained earnings	42,834	37,531
	88,102	81,450
	$109,507	$102,206

ALTERA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED	
	March 31, 1992	March 31, 1991
Sales	$29,794	$23,215
Costs and expenses:		
Cost of sales	11,955	9,643
Research and development	3,790	3,410
Selling, general, and administrative	6,034	4,852
Total operating expenses	21,779	17,905
Operating income	8,015	5,310
Interest income	401	404
Income before taxes	8,416	5,714
Provision for income taxes	3,113	2,044
Net income	$ 5,303	$ 3,670
Net income per share	$ 0.25	$ 0.18
Shares and equivalents used in calculation of net income per share	20,837	20,355

ALTERA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(In thousands)
(Unaudited)

	THREE MONTHS ENDED	
	March 31, 1992	March 31, 1991
Cash flows from operating activities:		
Net income	$ 5,303	$ 3,670
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,671	1,318
Provision for returns and allowances	345	692
Changes in assets and liabilities:		
Accounts receivable, net	(2,523)	(1,564)
Inventories	(1,994)	276
Other current assets	27	69
Accounts payable	792	(191)
Accrued liabilities	136	332
Accrued compensation	(1,515)	(969)
Income taxes payable	2,609	1,692
Cash provided by (used for) operating activities	4,851	5,325
Cash flows from investing activities:		
Purchases of property and equipment	(2,228)	(1,887)
Investment	(1,718)	(3,288)
Purchases of short-term investments	(3,000)	
Proceeds from short-term investments	5,940	7,000
Cash provided by (used for) investing activities	(1,006)	1,825
Cash flows from financing activities:		
Net proceeds from issuance of common stock	1,349	676
Cash provided by (used for) financing activities	1,349	676
Net increase (decrease) in cash and cash equivalents	5,194	7,826
Cash and cash equivalents at beginning of period	25,239	14,285
Cash and cash equivalents at end of period	$30,433	$22,111
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 481	$ 339

ALTERA CORPORATION

NOTES TO FINANCIAL INFORMATION
(Unaudited)

Note 1 - Interim Statements:

In the opinion of the Company, the accompanying unaudited financial data contain all adjustments, consisting only of normal, recurring adjustments, necessary to present fairly the financial information included therein. This financial data should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended December 31, 1991. Results for the interim period presented are not necessarily indicative of results for the entire year.

Note 2 - Balance Sheet Detail:

	(In thousands)	
	March 31, 1992 (Unaudited)	Dec. 31, 1991
Inventories:		
Purchased parts and raw materials	$ 1,566	$ 1,721
Work-in-process	8,254	6,995
Finished goods	3,070	2,180
	$12,890	$10,896
Property and equipment:		
Equipment	$30,435	$28,286
Office furniture and equipment	2,734	2,691
Leasehold improvements	1,036	1,024
	34,205	32,001
Less accumulated depreciation and amortization	(18,060)	(16,533)
	$16,145	$15,468

Note 3 - Earnings per Share:

Income per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares consist of the assumed net shares issuable upon the exercise of dilutive stock options using the treasury stock method.

ALTERA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Sales. First quarter 1992 sales of $29.8 million were 28% higher than the $23.2 million reported for the same period last year. In the latest quarter sales increased due to higher unit sales of both integrated circuit chips and software products. In software, the Company increased sales of its MAX+PLUS II development software, which supports all of its three major families of chips, including its newest MAX 7000 series. This increase in software sales was due in part to promotional pricing and in part due to first availability of MAX 7000 chips. These two factors caused software sales to increase sharply during the first quarter, reaching a record quarterly volume which is unlikely to continue at that rate. The average selling price of the Company's chips declined by 6% from a year ago. The Company believes that in high technology markets it is common for average selling prices of existing products to decline as newer, more advanced products are introduced. Although the Company expects this trend may continue, there can be no assurance that new products will command higher average selling prices or that the average selling price decline on existing products may not accelerate. Altera's sales history cannot be used to predict future results.

Gross Margin. Gross margins for the latest quarter are higher than a year ago due in part to the change in product mix discussed above, since the increased amount of software sold has a higher margin than chip products. Chip margins also improved as manufacturing costs on some chip products have declined as volumes have increased relative to a year ago. The margins on mature products have declined due to price reductions. This has been partially offset by higher margins on newer products. Many uncertainties exist that could adversely impact future margins, including production yields, lower prices due to increasing competition, or a delay in new product shipments.

Research and Development. For the latest quarter, the Company has increased the dollars invested in research and development as compared to the same period last year, although as a percentage of sales these expenditures have declined. The Company has invested, and will continue to invest, significant research and development efforts into the development of programmable logic chips, related development software and hardware, and advanced semiconductor wafer fabrication processes. However, even if the Company accomplishes its goals for the development of new products and manufacturing processes, there is no assurance that these products will achieve market acceptance or that the new manufacturing processes will be successful. The Company must continue to develop and introduce new products in a timely manner to counter the average selling price trend discussed above.

The Company has spent significant research and development resources improving production yields on its products to commercially acceptable levels. However, there can be no guarantee that yield problems and the need to improve product yields might not recur with existing or new products or fabrication processes. Some of the Company's newest MAX 7000 family of products involve electrically erasable (E^2) technology, which is a new process technology for the Company.

Selling, General, and Administrative. Selling, general, and administrative expenses for the latest quarter increased in dollars, but declined as a percentage of sales compared to the same period of last year.

The Company uses three methods to market its products: direct sales to electronics manufacturers via independent sales representatives, sales through licensed domestic and foreign

distributors, and direct sales to customers by Altera sales department personnel. The Company has seven U.S. and six international sales offices.

Sales costs have increased as a result of increased commissions due to higher sales, and an increase in advertising beginning in the first quarter of 1992. General and administrative expenses have increased in dollars, and also slightly as a percentage of sales.

Operating Income. First quarter 1992 operating income of $8.0 million was 27% of sales. Operating income for the first quarter of 1991 was 23% of sales. The increase in first quarter operating income as a percentage of sales resulted from higher gross margins, lower research and development expenses as a percentage of sales, and lower sales and marketing expenses as a percentage of sales.

Interest Income. Interest income for the latest quarter, despite higher cash balances, was slightly below the same period in 1991 due to lower interest rates.

Income Taxes. The Company's provision for income taxes has increased to 37% of income before taxes from the 36% provided in the first three months of 1991, due to lower tax credits available in 1992.

Future Results. Many uncertainties exist that could have an unfavorable impact on the Company's future operating results, including general economic conditions in both foreign and domestic markets, overall growth in the Company's markets, manufacturing yields, wafer supply, and competition. In the first quarter of 1992, the Company saw substantially increased competition from Cypress Semiconductor, a company that is a licensee of the Company's MAX 5000 series of chips. Also, an increased number of other companies have announced their intentions to enter the market and potentially compete with Altera. Accordingly, past financial performance is not an indicator of future results and investors should not rely on historical trends to anticipate future results.

The Company attempts to ensure that its products and processes do not infringe the patent and proprietary rights of others, but cannot be certain that they are not doing so. As a result of its various technology licensing agreements, the Company has been granted rights to design, manufacture, package, and sell products using certain patents controlled by AMD, Cypress Semiconductor, Intel, and Texas Instruments. Other companies have filed applications for, or have been issued, other patents and may obtain additional patents and proprietary rights relating to products or processes competitive with those of the Company. As a result, it may be necessary or desirable for the Company to obtain additional licenses relating to one or more of its current or future products. There is no assurance that such additional licenses could be obtained, and, if obtainable, could be obtained on conditions which would not have a materially adverse financial effect on the Company.

Liquidity and Capital Resources

During the first three months of 1992, total cash, cash equivalents, and short term investments increased by $2.3 million to $42.4 million. The Company has no debt or capitalized lease obligations, and has a $5 million bank credit facility available for short term financing.

For the first three months of 1992, Altera invested $2.2 million in capital expenditures. The Company expects to invest an additional $7 million in the last nine months of 1992. Altera also invested approximately $2.0 million in additional inventory in the first quarter to improve its ability to service customer orders more rapidly. The Company expects to increase its inventories further in the coming periods in order to minimize its lead times to customers.

During the first three months of 1992, the Company paid $1.7 million towards its investment liability for the purchase of Cypress Semiconductor (Texas), Inc. ("CSTI") shares. The current CSTI

investment liability of $1.5 million is expected to have $1.2 million paid in the third quarter of 1992 and the remainder paid during the first three months of 1993.

The Company believes that the cash, cash equivalents, short-term investments, and credit facility available at March 31, 1992, combined with cash generated from current operations, will be adequate for the capital expenditures and investments discussed above and to otherwise finance the Company's current operations for at least the next year.

Impact of Currency and Inflation. The Company purchased the majority of its materials and services in U.S. dollars, and its foreign sales were also billed in U.S. dollars. Accordingly, it has not been subject to substantial currency exchange fluctuations. Altera has entered into a contract for wafer purchases from Sharp Corporation denominated in Japanese Yen. Historically, the impact of fluctuations in exchange rates has not been significant. However, there can be no guarantee that this trend will continue. Effects of inflation on Altera's financial results have not been significant.

ALTERA CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED

MARCH 31, 1992

PART II

OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual shareholders meeting on April 29, 1992 at 10:00 a.m., after notice was provided to shareholders of record at March 2, 1932. Three items were voted upon:

1. The election of directors.

2. Amendment of the Company's 1986 Director Stock Option Plan to increase the term of options granted on or after the date of approval of the Amendment from five to ten years.

3. Ratification of the re-appointment of independent accountants.

The result of the vote for directors was the re-election of all existing directors: Rodney Smith, Michael A. Ellison, John B. Goodrich and Paul Newhagen. The vote on item number 2 was 14,018,665 in favor and 1,099,738 opposed, and the increase was approved. The re-appointment of independent accountants was ratified.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11.1 Computation of earnings per share (see Note 3 to Financial Information in Part I of this Form 10-Q).

(b) Reports on Form 8-K. None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALTERA CORPORATION

Paul Newhagen, Vice President, Finance and Administration (duly authorized officer), and Chief Financial Officer (principal financial officer) and Secretary

Date: May 13, 1992